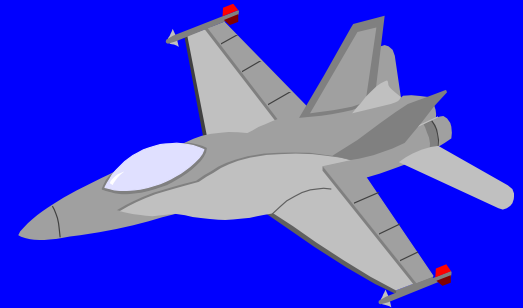


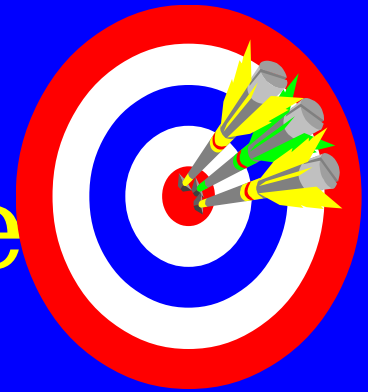
# Management Control (MC) Training

**BUREAU OF NAVAL PERSONNEL (PERS-00K)**  
**MC Program Coordinator - Richard Cosgrove**  
**901-874-3034**



09/04/16

# Training Objective



## ◆ MC Coordinators:

- ❖ Identify Assessable Units (AUs)
- ❖ Develop MC plan/schedule
- ❖ Track/follow-up on actions to correct weaknesses

## ◆ AU Managers:

- ❖ Meet MC Program intent and requirements
- ❖ Understand management controls and how they work
- ❖ Use MC Review methodology and new CNO evaluation form

# MANAGEMENT'S RESPONSIBILITY

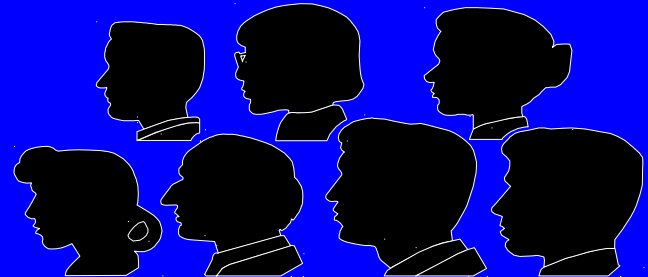
CONTROL EFFECTIVE AND EFFICIENT USE OF RESOURCES

IN FUNCTIONS AND PROGRAMS TO MEET MISSION

## MONEY

|                                                       |                           |                                                 |
|-------------------------------------------------------|---------------------------|-------------------------------------------------|
| JOHN DOE<br>123 MAIN STREET<br>ANYWHERE, U.S.A. 00000 |                           | 000                                             |
|                                                       |                           | 12-345<br>00                                    |
| PAY TO THE ORDER OF                                   | BUREAU OF NAVAL PERSONNEL | \$20+BILLION                                    |
| TWENTY BILLION PLUS -----                             |                           | DOLLARS                                         |
| FIRST NATIONAL BANK<br>ANYWHERE, U.S.A. ①             |                           | U.S. TAXPAYER<br>VIA CONGRESS,<br>AND PRESIDENT |

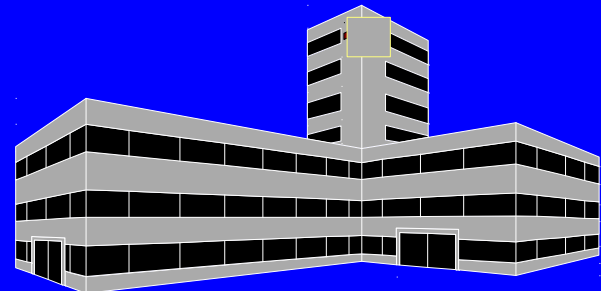
## PERSONNEL



## INFORMATION



## FACILITIES/EQUIPMENT/OTHER



BUREAU OF NAVAL PERSONNEL

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# MC Program Objectives

For critical Navy Manpower/Personnel functions and programs,  
provide senior leadership with **reasonable assurance**  
that:

- ◆ Regulations/rules are complied with; efficiency/effectiveness is promoted
- ◆ Funds, personnel, information, equipment, and other resources are safeguarded against waste, loss, unauthorized use, or theft
- ◆ Obligations and costs are in compliance with the law
- ◆ Operational revenues and expenditures are properly recorded and accounted to permit preparation of reliable financial and statistical reports and to maintain accountability over assets



# WHY DO IT?



- ◆ It's the Law - Section 3512 of Title 31 USC
- ◆ Helps Assure Efficiency & Effectiveness
- ◆ Documents Management Process
  - ❖ Competitive Sourcing
  - ❖ Easing Turnover
- ◆ Helps Find and Correct Problems Early

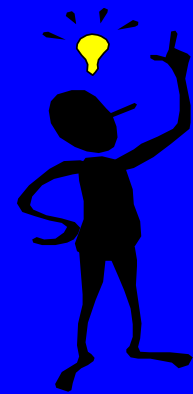
# Pertinent Directives



- ◆ FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT OF 1982
- ◆ OMB CIRCULAR A-123
- ◆ DOD, NAVY AND BUPERS DIRECTIVES AND INSTRUCTIONS

# Program Background

## Definition of Management Control



- ◆ US Navy Regulations 1990; Glossary:
  - ❖ “Management’s....continuing actions of planning, organizing, directing, coordinating, **controlling** and evaluating the use of personnel, money, material and facilities to accomplish missions .
- ◆ OPNAVINST 5200.25C:
  - ❖ “MC is actions taken by an organization to enhance the likelihood its mission and goals will be carried out effectively, efficiently and economically per the intent of applicable laws.”
- ◆ MC System:
  - ❖ Consists of Organizational Structure, Operating Processes and Procedures, and Administrative and Financial Practices
- ◆ Bottom Line: MC Program provides senior leadership with “reasonable assurance” that control systems are adequate to achieve Navy objectives and comply with the Federal Managers Financial Integrity Act (FMFIA)

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# Program Roles & Responsibilities

## **SECNAV Level**

- ◆ UNSECNAV - Directs and establishes SECNAV policy
- ◆ ASN (FM) - Develops DON-wide policy; coordinates effort; provides oversight; and tracks follow-up
- ◆ AUDITOR GENERAL OF THE NAVY - Integrates DON audit plan; evaluates compliance; and reports results
- ◆ NAVAL INSPECTOR GENERAL and NAVAL CRIMINAL INVESTIGATIVE SERVICE - Evaluates compliance and reports result



# Program Roles & Responsibilities

## CNO & Subordinate Commands

- ◆ VCNO directs and AVCNO coordinates CNO MC program
- ◆ OPNAV principal officials [includes DCNO (M&P) (N1)]
  - ❖ Assign MC program official and coordinator
  - ❖ Implement policy, procedures and report annual FMFIA certification statement to VCNO
- ◆ Echelon 2 and below commands (includes CNP, CNPC, etc.)
  - ❖ Assign MC coordinator
  - ❖ Implement policy, procedures and report requirements

# Program Assignments

## CNO (N1)/CHNAVPERS & Subordinate Activities

- ◆ Senior Program Officials (N1B and DCNP)
  - ❖ Oversee and support the Program
  - ❖ Sign the DCNO (M&P)/CNP Annual Certification Statement providing reasonable assurance that controls are adequate
- ◆ Coordinators (PERS/NPC-LOOK and Headquarters/Field coordinators)
  - ❖ Take charge of effort; demonstrate support
  - ❖ Prepare MC plans/schedules
  - ❖ Ensure Alternate MC Reviews or MC Reviews are completed and documented
  - ❖ Report on results and ensure corrective action taken
  - ❖ Provide training and quality assurance

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# Program Assignments (cont.)

## CNO (N1)/CHNAVPERS & Subordinate Activities

- ◆ All Navy Leadership and Managers
  - ❖ Demonstrate supportive attitude
  - ❖ Identify Assessable Units (AUs)
  - ❖ Conduct/document MC Review
    - ◆ Use Alternative MC Review when feasible
  - ❖ Report MCR results
  - ❖ Provide follow-up information

# Some Methods Of Internal Control



Organization

Policies

Procedures

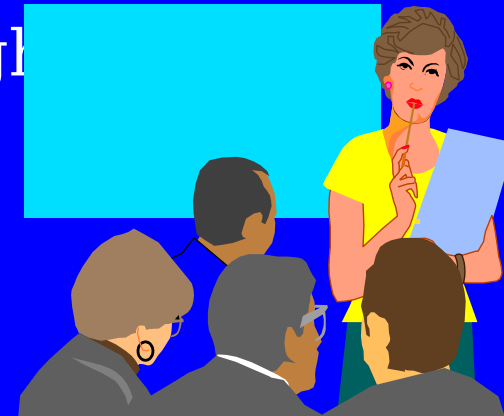
Personnel

Accounting

Budgeting

Reporting

Oversight



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# Quick Preview

- (1) Identify Assessable Units
- (2) Develop Plan to Review AU Controls
  - Use Alternate MC Review, or
  - Schedule MC Review
- (3) Document MC Review
- (4) Report Results and Follow-up



# (1) Identify Assessable Unit Inventory

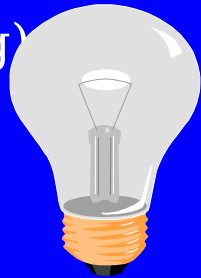
- ◆ Review organizational structure
  - ❖ Segment by function, program, and process
- ◆ List functions, programs, processes or organization entities
- ◆ List of major/critical processes is assessable unit (AU) inventory.
- ◆ Each AU has one or more operational characteristics which require control:
  - ❖ Executes laws, regulations, and/or policies
  - ❖ Expends resources (e.g. funds, personnel, info or property)
  - ❖ Exercises management review and approval authority
  - ❖ Produces product/services, e.g. plans, reports, supports, etc.
  - ❖ Provides feedback on above activities

NOTE: Each AU needs to be associated with a responsible manager.

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# Example Assessable Units (AUs)

- ◆ CNO (N1)/CNP:
  - ◆ N10 (Approp. Level Acct., Expenditure Monitoring)
  - ◆ N12 (Enlisted Program Authorizations (EPA))
  - ◆ N13 (Pay/Allowances)
  - ◆ N1X (Legislative/Congressional)
- ◆ CNPC:
  - ◆ NPC-3 (EMPRS, PASS, etc.);
  - ◆ NPC-4 (PERS MCA, URL Placement, URL Detailing, etc.);
  - ◆ NPC-6 (FAP, EO, etc.);
  - ◆ Advisors and Staff Offices (00K, 01, 02, 05, 06, etc.)  
(Inspection, Civilian Timekeeping/Payroll; Obligation Mgmt.; Public Affairs; Legal Affairs)



# Management Control Review (MCR)

## Definition, Scope & Objectives

- ◆ Definition: In-depth analysis of an Assessable Unit (AU) to determine if adequate control techniques are established and working as intended. Is concerned with impact or consequences of inadequate control.
- ◆ Scope: Review AUs work environment and responsibilities. Identify AUs work steps and associated inherent risk, existing controls and control objectives. Test AU's controls. Report control results if weaknesses are found - a determination of cause is necessary and corrective actions scheduled/implemented.
- ◆ Objectives: Allows management to determine if (1) a positive control environment exist, (2) laws, regulations and other rules are being implemented as intended, (3) material weaknesses exist, (4) controls are cost-effective or excessive, and (5) corrective action is needed. If no identified problems, the MCR is signed and controls are validated.

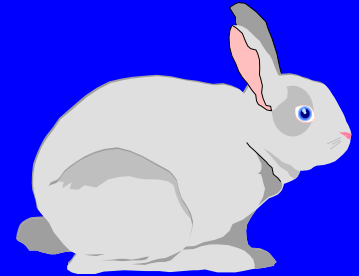


# Alternative Management Control Review (AMCR)

Other evaluations can test controls and may be used

- ◆ Examples

- ❖ Audits
- ❖ Inspections
- ❖ ADP security reviews
- ❖ TQL Process Action team studies, etc.
- ❖ Efficiency Reviews
- ❖ Other management reviews, studies, etc.



- ◆ Key: Must identify and test controls of assessable unit

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# (2) Develop MC Plan/Schedule

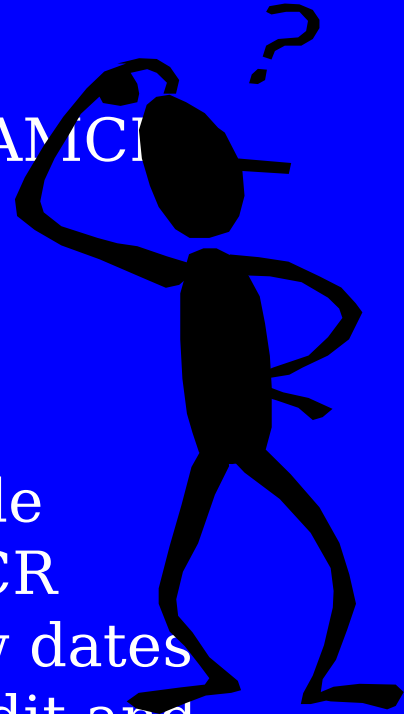
## Purpose, Content and Linkage

### ◆ Purpose

- ❖ Document use of Alternate MC Review (AMCR) or Schedule MC Review (MCR)
- ❖ Validate annually

### ◆ Content

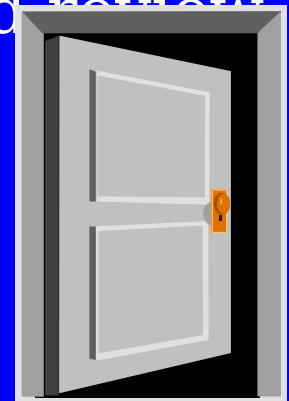
- ❖ Identify AU inventory and manager's code
- ❖ Identify whether relying on AMCR or MCR
- ❖ Identify scheduled and completed review dates
- ❖ Identify source of AMCRs, i.e. annual audit and IG plans
- ❖ Update annually



# (3) Conducting the MC Review

## Overview of Approach

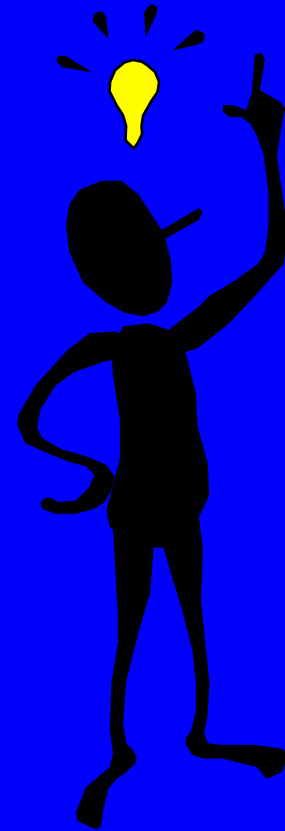
- ◆ Identify AU general information
- ◆ Identify Working Environment Goals and Responsibilities
- ◆ Identify Risk to Successful Accomplishment
- ◆ Assess Effectiveness of Management Controls
- ◆ Provide Statement on Testing of Controls
- ◆ Identify who performed and approved review
- ◆ Report Any Material Weakness



# Sample MCR Methodology



Rich Text Format

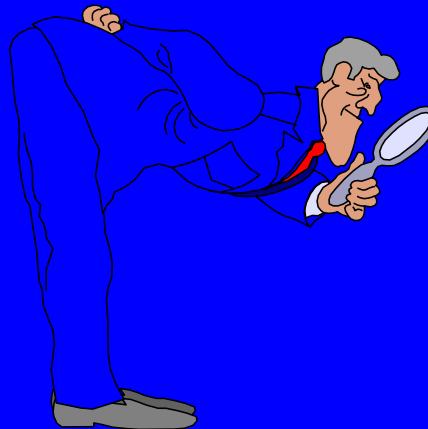


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# How to Document and Report Results of AMCR or MCR



Microsoft Word  
Document



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# Documenting Internal Control Tests



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# Material Weakness Criteria

If a problem in management control meets one or more of the following, it is considered a material weaknesses

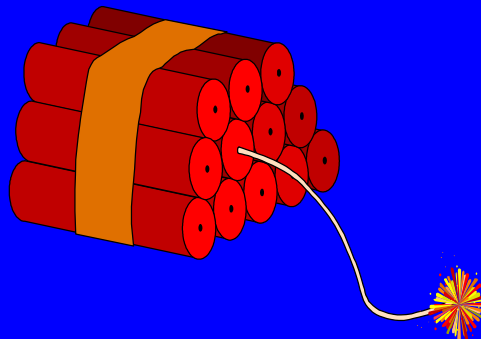
- ❖ Significantly impairs fulfillment of organizational mission
- ❖ Deprives anyone of critical services
- ❖ Violates statutory or regulatory requirements
- ❖ Significantly weakens safeguards against waste, loss, unauthorized use or misappropriation of funds, property or other assets
- ❖ Results in a serious conflict of interest
- ❖ Merits attention of next higher echelon
- ❖ Meets definition of a material weaknesses contained in enclosure (1) to SECNAVINST 5200.35D

NOTE: All identified material weakness controls shall be corrected in a timely manner whether or not reported to next higher echelon.

# If You Find One: How to Report a Material Weaknesses



Microsoft Word  
Document



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# (4) Report and Follow-Up

## Headquarters Offices and Field Activities

- ◆ Managers:
  - ❖ Document results of AMCR or scheduled MC Reviews
  - ❖ Report completed MC review forms with:
    - ◆ Any material weakness report w/corrective actions
  - ❖ Provide follow-up information as requested.
- ◆ MC Coordinators:
  - ❖ Report Annual MC Plan/AU Inventory/MCR Schedule
  - ❖ Report description of material weaknesses unable to correct locally
  - ❖ Document status of identified weaknesses & corrective actions.

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# (4) Report and Follow-up (cont.)

## N1/BUBERS Program Results

- ◆ DCNO (M&P)/CNP Annual Federal Managers' Financial Integrity Act Compliance Statement - Due 1 Sept
  - ❖ PERS/NPC-OOK develops statement based on MC Program input from N1 codes, BUBERS HQ offices and field commands and activities plus other oversight reporting systems/processes
  - ❖ Statement certifies to VCNO that controls are adequate except for weaknesses identified at enclosures
- ◆ Prior Year Status on Material Weaknesses - Due 1 Sept
  - ❖ PERS-OOK tracks, tasks and coordinates follow-up status; validates actions are complete

# Administration

## Program Documentation/Quality Assurance

- ◆ Need to keep program documentation simple and usable
- ◆ Recommend following file/documentation:
  - ❖ Guidance/Instructions (all policy on program) /tasking
  - ❖ Plan/Schedule: All completed MCR's and any annual/periodic weakness reports
  - ❖ Follow-up (all tracking, follow-up and validation information on any weaknesses)

# Summary

## Management Control (MC) Program

- ◆ Assign Coordinator and organize MC Program
- ◆ Identify/list assessable unit (AU) inventory by managers
- ◆ Develop/implement an annual MC plan/schedule
- ◆ Use AMCRs or Conduct in-depth MCRs by examining AU risks and validating controls to identify weaknesses
- ◆ Plan and implement corrective actions if needed
- ◆ Submit results and follow-up corrective act.

